

CONNECTICUT AUTOMOTIVE RETAILERS ASSOCIATION

36 TRUMBULL STREET
HARTFORD, CONNECTICUT 06103

James T. Fleming
President

Telephone: (860) 293-2500
Facsimile: (860) 527-2582

To: Sen. DeFronzo, Co-Chair
Rep. Guerrera, Co-Chair
Members of the Transportation Committee

From: James T. Fleming, President
Connecticut Automotive Retailers Association

Date: Wednesday, March 11, 2009

**Testimony of Mr. Jeffery Aiosa of New London, Connecticut
Chairman of the Connecticut Automotive Retailers Association on
House Bill 6648 'AN ACT MAKING REVISIONS TO CHAPTER 739 OF THE GENERAL STATUTES WITH
RESPECT TO AUTOMOBILE MANUFACTURERS, DISTRIBUTORS, FRANCHISES AND DEALERSHIPS.**

Good afternoon Senator DeFronzo, Representative Guerrera, Senator Boucher, Representative Scribner and members of the committee my name is Jeff Aiosa and I am the President of the Carriage House of New London, a locally owned and operated new car franchise, and I am the Chairperson of the Connecticut Automotive Retailers Association or CARA. CARA represents more than 270 new car dealerships in Connecticut. Combined, our dealer members employ more than 13,000 employees in our state. Since this time last year we have lost more than 50 dealerships, 20 just since January 1st of this year, and this has resulted in the loss of approximately 2000 jobs, jobs which, on average, pay about 50,000 dollars per year with excellent benefits for health and retirement.

I am here today to urge you to support H.B 6648 legislation that will help struggling car dealers survive this economic downturn and even begin to grow again once these difficult times are behind us. Your support of this bill will not only save thousands of jobs and hundreds of businesses it will also indirectly help you in solving the difficult issues that you face in balancing the state's budget. New car sales alone account for 17% of the state sales tax revenue. That is more than 350,000,000 million dollars in the budget. Passage of this bill will keep local dealers selling cars to Connecticut consumers who pay the state sales tax.

What I am asking you to do is to help your local small business new car dealer. Basically to level the playing field between the large multinational and domestic corporations that manufacture the cars that we sell. Ford, GM & Chrysler are getting, or are eligible for taxpayer assistance from the federal government. Foreign manufacturers are receiving help from their own governments as well. But NONE of this has reached down to the small business new car dealers, mainly because the help we need can only come from our state legislatures in the form of state franchise laws. It is important to keep in mind that if our national governments are able to save Detroit and the other auto manufacturers but we don't have enough dealerships left to buy the cars from the manufacturers and sell them to consumers here in Connecticut and across America, then what good have they done in Washington, Tokyo, Seoul and Berlin.

The bill before you will do several things:

It will set new and fairer rules between the manufacturers that grant the franchises and the local dealerships that are now being forced to go out of business.

First, the bill will ensure that if a dealer is forced out of business that he gets his investment back from the manufacture. Don't misunderstand... dealers are not looking to go out of business, rather they are looking for

the law to set the rule for what happens when they have no choice. Once these rules are reformed the credit from our banks that is so essential to dealers will begin to flow again because the banks will be able to adequately assess the risk of a loan. Right now they won't lend to dealers because they can't assess the risk if a dealership surrenders its franchise.

Second, this bill will mandate that manufacturers in Detroit, Japan, Germany, Sweden or Korea treat existing dealers fairly when they reimburse a dealer for warranty parts and labor work. Under existing laws manufacturers can arbitrarily set these reimbursement rates often below what it costs a dealer to perform the work.

It will require that a manufacturer takes into consideration the difficult economic times we are in before mandating that a dealer spend millions of dollars renovating a dealership "look" to meet some arbitrary and expensive marketing standard for the brand.

It will set fair and reasonable standards to allow dealers to share portions of dealership buildings with different brands of vehicles rather than build separate showrooms and service waiting areas and shop floors. This will encourage better and environmentally smarter land use and keep costs down for dealers who are trying to compete in a tough economy.

It will set new reasonable statutory standards to govern manufacturers' behavior with respect to treating all dealers the same. Existing law requires that manufacturers not discriminate between their franchised dealerships. But in practice they do discriminate between dealers with special incentives and availability of special rebates and programs. Stopping this practice will ensure that all areas of our state have a sufficient number of healthy dealerships and guarantee that Connecticut consumers have sufficient competition and choice for where they purchase and service their automobiles.

The bill will demand fair treatment for a dealer when a manufacture such as GM makes a public statement that it intends to stop making a franchised vehicle. Under existing law if a manufacturer wants to end a franchisee's/dealer's right to sell a car brand they are suppose to fairly compensate the dealer. When GM unilaterally states that it will stop making a car, such as Saturn, it destroys the value of the dealer's franchise. This way GM gets a fire sale price for the franchise surrender. This bill will require that the value of the franchise be based on the franchise before the announcement and not afterwards.

Members of the committee, there are other reforms in this bill that provide for fair treatment for all of Connecticut's new car dealerships. Attorney Richard Sox who is sitting next to me has submitted detailed language and testimony on this bill. I have also included some substitute language for the committee's consideration to clarify further the bill that you have before you. CARA is working closely with the manufacturers to develop a bill that will be fair to dealers and that the manufacturer can hopefully support or at least live with.

One final thought, when Ford, General Motors and Chrysler needed help from the US government 20,000 dealerships and 140,000 dealership employees were there to help them garner support in Washington for loans and assistance from the federal government. Now we are asking you and the manufactures to help our small business new car dealerships survive as well.

Proposed substitute language.

42-133s - subsection (c) - references on lines 101 and 104 to "average markup" and "average percentage markup," respectively, should both be changed to "average labor rate." "Average markup" is the term used for the percentage increase over costs for use in reimbursing parts whereas the "average labor rate" is an actual dollar amount for reimbursement for labor work.

2. 2-133s - subsection (e) - references on lines 118 and 122 to "average markup" and "average percentage markup," respectively, should both be changed to "average labor rate." 3.

3. 42-133s - our new subsection (e) dealing with how a dealer is to be reimbursed for a part that is shipped to the dealer at no charge (can't take a percentage markup over a part that cost \$0) was left out entirely. With this new subsection (e), the currently drafted subsections (e) thru (n) should be re-lettered "(f)" thru "(o)."

4. 42-133x - subsection (b), line 370 reference to "subsection (b) of section 42-133v" should read subsection "(c)" of section 42-133v.

5. 42-133cc - our new subsection (21) dealing with the initiation of the warranty period on a vehicle was left out entirely. As this new subsection (21) would be the last subsection under 42-133cc there is no other renumbering necessary.